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Our Ref.: 8/3h

Your Ref.:

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Future funding for flood and coastal erosion risk management

This response is written on behalf of the Middle Level Commissioners and the internal drainage boards administered from our offices.

The fundamental thrust of this paper is to promote local contributions for FCERM schemes and to give these an importance in deciding whether such schemes qualify for government funding. The initial question therefore arises as to how such a policy would be implemented in IDB areas where a) the 45% grant rate makes local contributions a necessity and where therefore such contributions already occur in relation to IDB schemes and b) the precept could, in relation to EA works, already again be regarded as a local contribution. In this area, therefore, the beneficiaries do pay.

While the concept is not objectionable, there seem to be a number of practical issues that need to be addressed. The paper seems to proceed on the basis that schemes are fully tax payer funded which, while true in many areas, is not true of IDB schemes. Will the IDB grant rates be adjusted as a consequence of this policy?

The Executive Summary refers to this policy leading to grants being based on the level of benefits and outcomes that would be delivered. That however, was surely the way that the previous policy worked and the main difference here seems to be the encouragement of ‘match funding’. It is not entirely clear however, what will happen if nearly but not quite sufficient local funding is raised and when and on what basis the contribution would be paid. Will there then be a contract between (say) the Environment Agency and the local community which can be enforced if the scheme is not carried out properly or maintained? Will there be a guarantee of (say) 50 years’ maintenance? To raise money locally, it will need to be made quite clear the basis on which it is being paid.

It is a good question whether, as claimed in Section 1 of the paper, an efficient system of prioritisation and delivery has been created. Certainly, however, any new system will need to be as bureaucracy free as possible to encourage local take up.

The reasons given in Section 4 for the emphasis on households are noted. However the statement that “flooding and coastal erosion should be among the business risks that each will need to manage” and the continuing wording are a little inconsistent. Households too, while not operating for profit, should be expected to manage the risks arising from natural occurrences and

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take action where practicable or through insurance to reduce or meet those risks. The emphasis on households has, for understandable reasons led to an undervaluing of business and of agriculture as a business and, if local needs and funding is to be fully utilised, this may have to be reconsidered. The householder will of course also privately benefit from the public funding of flood defences through property values, reduced insurance premiums etc.

In Case Study 1, is not the levy also, effectively government money. In Case 2, a scheme which it appears would be funded under existing arrangements, what would be the position if local funding could not reach the £10 million required – given the apparent cost benefit of 12:1?

In Section 5, no IDB or local authority projects are included and it is presumed that undersubscribed FDGIA will not only be offered to other RFCC's. On the tables included as part of this section, projects which appear to represent little value for money may proceed. It will be interesting to see how well locally supported these would be.

In Section 6, there is a statement that the RFCC could be expected to fund first projects where there is "evidence of cost efficiency and a robust approach to local contributions". This would appear to take priority over benefits to be derived, which also ought to be part of the calculation.

Our responses to the specific questions are therefore as follows.

Question 1

It is right that Government funding should continue to focus on the most cost-beneficial projects. Such projects should not, however be treated differently depending on which authority promotes them.

Question 2

It is unclear at present how local communities will precisely be involved in FCERM schemes and how such schemes will be promoted in ways different from the present.

Question 3

While the objectives seem broadly acceptable, it remains to be seen whether operating authorities will have sufficient resources and how flood insurance premiums and availability is affected by any change in policy.

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Questions 4, 5

While the Guiding Principles are acceptable, this section, like much of the document, appears to have been written from an Environment Agency perspective. The role of IDBs, who already provide local funding for their work, should not be overlooked.

Question 6

The paper focuses too much on households and not sufficiently on commercial activities or infrastructure. While commercial premises are treated differently from households, for stated reasons, it appears that the private benefit for households is overlooked while that for commercial properties is included. Comments have been made above on the two case study schemes set out in the paper.

Question 7

It remains to be seen how different any new system would in fact be, given the government's apparently conflicting goals of local decision making and national consistency. Much will depend on the willingness of local communities to deliver.

Question 8

The role of and resources available to Lead Local Flood Authorities will be vital here. If sufficient funding is not available for a meaningful local levy, then the role of the RFCC is likely to be diluted. Again, adequate allowance needs to be made for the role of operating authorities other than the EA. The question of bringing lower benefit projects forward at the expense of ones providing higher benefit, implied by the list in Figure 1 of the Paper, needs to be resolved.

Question 9

Again, the available resources will determine which projects, in many cases, proceed and the willingness of communities to make their voices heard and monies available, will be a governing factor. One of the issues that needs still to be addressed is where a project provides cross-community (or cross LLFA) benefit, and as to how that will be dealt with in assessing the beneficiaries and procuring local contributions.

Question 10

See above, and references to utilities and infrastructure.

As regards the Draft Technical Guidance, we would respond as follows:-

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Question 11

The outcome measures (OMs) seem unduly focused on the actual flooding of dwellings, without considering the impact of loss of amenity or utilities, eg water supply. We therefore feel that greater account ought to be taken of important infrastructure in setting such measures. The Commissioners and Boards would question whether the true loss to the economy of such impacts on infrastructure has been properly assessed.

It has to be said that the outcome measures calculation seems overly complicated and may in fact make it more difficult to assess the potential affect of schemes.

Question 12

The choice of values seems arbitrary to a certain extent and it is noted that the choice of a minimum value for the return on investment of 5:1, is less than for actual present EA deliverables. We have already touched on infrastructure in our response to question 11. OM5 seems to be restricted to ‘protected rivers’, which is unfortunate given the much larger number of water bodies on which FCERM works will take place and which will miss out on this measure, through non qualification. While recognising that limited monies are/will be available, it is strongly felt that wider benefits could be obtained by widening the scope of this measure. While OM7 is noted, this refers to habitat and by area, rather than watercourse length.

Question 13

The threshold value is arbitrary but, on the premise that its aim is to hive off the most important/beneficial schemes, the 120 factor can be supported. It seems however, that the proposals will distinguish between projects so qualifying promoted by the EA and equally important/beneficial projects promoted by IDBs or local authorities. These, it would appear, will only proceed if the relevant RFCC approves them. If a project reaches the approved level of benefit/outcomes, we do not consider that it should matter whether it is a tidal/main river project or one promoted by other authorities. Any project reaching that level should, we consider, attract grant aid, although there is no reason why the relevant IDB or local authority should not still undertake it.

Question 14

We would favour the allocation to RFCCs, subject to the comments under question 13, to be based on the projects in the pipeline. If the government’s proposals bear fruit, local communities are likely to be keen to promote projects in the hope of getting some grant. This may in time demonstrate a truer reflection of local needs and wishes. The projects in the pipeline should have been assessed for their contribution to the OMs and this method will ensure that projects which are promoted by local authorities or IDBs and which would qualify for the national programme if undertaken by EA, are more likely to be allocated grant.

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Question 15

As regards project appraisal reports, at what stage will the expected outcomes of a scheme be sufficiently known? In certain cases it will surely be necessary to do the project appraisal before knowing the extent to which the proposed project will achieve outcomes.

The needs of rural communities may also be overlooked in any prioritisation base don number of households and any funding method should ensure that such communities are fairly treated.

Question 16

It is a little surprising to read the suggestion that maintenance may not be required. All systems and structures will of course require maintenance, though the manner and amount of maintenance will vary.

At present IDBs have a specific grant rate of 45%. The tone of the paper suggests that this will, if the suggested arrangements are adopted, henceforth vary with the scheme. IDBs, of course, already supply a local contribution to their projects by virtue of the drainage rate/special levy contribution which will ensure an advantage for them, in promoting projects, given that local funding will be available.

Where it is proposed that relatively low benefit main river/tidal projects are promoted, it is stated that the local authority would be responsible for delivery. This is presumably a reference to the Lead Local Flood Authority (LLFA) but, since many such projects cross administrative boundaries, the question of which LLFA should promote the project needs to be clarified.

Question 17

See question 11, above.

In the section on avoiding double counting, benefits and measures are linked to the value of the assets being replaced or upgraded, which may not be the whole system. While this is sensible in principle, the replacement of a particularly high value part of the system, eg a pumping station, may throw up anomalies.

Question 18

As previously mentioned, the calculations do seem somewhat complex.